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Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 EUR-12 L-02 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 AGR-05 H-02 /089 W
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P 021718Z APR 75
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC PRIORITY 2714

C O N F I D E N T I A L SANTIAGO 1954

EO 11652: GDS
TAGS: EFIN, CI
SUBJECT: CHILE DEBT

REFS: A. BONN 05171
B. BOCKER-SAEZ TELCON OF MARCH 28.

1. SUMMARY. RAUL SAEZ BELIEVES CHANCES ARE STILL FAIR THAT PARIS CLUB WILL RESCHEDULE CHILEAN DEBT IN APRIL-MAY. CONTINUING DELAYS ARE VERY COSTLY GOC GOC'S INTERNATIONAL FINANCIAL STANDING. END SUMMARY.

2. AMBASSADOR AND ECOM COUNSELOR TALKED WITH MINISTER OF ECONOMIC COORDINATION RAUL SAEZ ON APRIL 1 ABOUT HIS VIEWS ON NEXT STEPS IN PARIS CLUB DEBT RENEGOTIATION EXERCISE. SAEZ BEGAN BY GIVING US LENGTHY RUNDOWN ON HIS RECENT TRIP TO EUROPE. HIS UNDERSTANDING OF POSITIONS OF VARIOUS PARIS CLUB MEMBERS WAS ESSENTIALLY AS REPORTED IN CABLES. SEVERAL TIMES HE EXPRESSED DEEP APPRECIATION FOR U.S. HELP IN TRYING TO KEEP MEETING ON TRACK.

3. SAEZ IS STILL MILDLY OPTIMISTIC THAT CHILEAN DEBT WILL BE CONSIDERED BY PARIS CLUB SOME TIME IN APRIL. WHILE HE WOULD PREFER SINGLE SESSION, HE DOES NOT BELIEVE GOC COULD OBJECT
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TO CREDITORS' MEETING LATE APRIL FOLLOWED BY CREDITOR-DEBTOR

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SESSION IN EARLY MAY. THIS IS SCENARIO FAVORED BY WEST GERMANS; SAEZ CONSIDERS THEIR COOPERATION IS ESSENTIAL TO REACHING ANY KIND OF RESCHEDULING AGREEMENT. MEANWHILE, HE BELIEVES, FRG WILL TRY TO SOFTEN U.K. AND DUTCH POSITIONS. ACCORDING SAEZ, GERMANS WILL OPPOSE ANY ATTEMPT TO MOVE DEBT RENEGOTIATION EXERCISE OUT OF PARIS.

4. AS EXAMPLE OF PRACTICAL PROBLEMS CAUSED BY DELAY IN PARIS CLUB MEETING, SAEZ REFERRED BITTERLY TO DECISION ON APRIL 1 BY IBRD PRESIDENT MCNAMARA TO POSTPONE CONSIDERATION OF $21 MILLION LOAN FOR CHILEAN AGRICULTURE. REASON GIVEN BY IBRD WAS THAT IT WANTED TO WAIT UNTIL AFTER PARIS CLUB. WHILE ITALY, SCANDINAVIANS, NETHERLANDS, ALGERIA AND PERHAPS U.K. WERE AGAINST LOAN, SOUTHERN CONE EXECUTIVE DIRECTOR BARRIOS (URUGUAY) HAD ASSURED SAEZ THAT 70 PERCENT OF VOTES WERE IN FAVOR. SAEZ ASSERTED THAT CHILE COULD VIEW MCNAMARA'S ACTION ONLY AS ANOTHER POLITICALLY MOTIVATED DECISION BY AN ORGANIZATION WHICH CLAIMS TO ACT ON A FINANCIAL/TECHNICAL LEVEL. HE DESCRIBED HIS APRIL 1 TELCON WITH IBRD VP KNAPP ON THE MATTER AS THOROUGHLY UNPLEASANT.

5. NEGOTIATIONS WITH GROUP OF SIX OR SEVEN NEW YORK BANKS FOR $150 MILLION CREDIT ARE ALSO DELAYED PENDING SUCCESSFUL PARIS CLUB RENEGOTIATION, SAEZ SAID IN ANSWER TO OUR INQUIRIES. THUS, OUTCOME OF PARIS CLUB PROCEEDINGS IS ASSUMING INCREASING IMPORTANCE IN CHILE'S PROSPECTIVE ECONOMIC PICTURE. A FAILURE OR INDEFINITE DELAY IN PARIS COULD INTENSIFY THE TREND TOWARD DE FACTO ECONOMIC AND FINANCIAL SANCTIONS AGAINST THE JUNTA NOW EMERGING IN A NUMBER OF COUNTRIES.
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